

Nanotech Agrees to be Acquired by Meta Materials Inc. and Announces Third Quarter Fiscal 2021 Results

All Cash Transaction Values the Company at approximately \$90.8 million

VANCOUVER, British Columbia – August 5, 2021 – Nanotech Security Corp. (TSXV: NTS) (OTCQX: NTSFF) ("Nanotech" or the "Company"), a leader in the development of secure and visually memorable nano-optic security features used in the government and banknote and brand protection markets, announces it has entered into a definitive arrangement agreement (the "Arrangement Agreement") with Meta Materials Inc. ("META®")(NASDAQ: MMAT), a developer of high-performance functional materials and nanocomposites, pursuant to which META will indirectly acquire Nanotech for \$1.25 per common share in an all-cash transaction (the "Transaction") valued at approximately \$90.8 million on a fully diluted basis. META and Nanotech will host a webcast at 10:00 am EDT today to review the Transaction (details below). The Company also announces its financial results for the three and nine months ended June 30, 2021. Unless otherwise stated, all dollar amounts are expressed in Canadian dollars.

Overview of Transaction with META

Key Transaction Highlights

- Nanotech shareholders to receive \$1.25 per share in cash, representing an aggregate transaction value of approximately \$90.8 million
- The purchase price represents a 101% premium to the 30-day volume weighted price of \$0.62 per Nanotech common share
- Both a special committee comprised of independent directors of Nanotech (the "Special Committee") and the full board of directors (the "Board") unanimously recommend that Nanotech securityholders vote in favour of the Transaction
- The Board has obtained a favourable fairness opinion from Echelon Capital Markets
- The Transaction is subject to customary closing conditions, including approval by a special majority of Nanotech securityholders

D. Neil McDonnell, Chair of the Company's Board and Special Committee, commented, "We are pleased to announce this Transaction with META, which offers our securityholders an attractive valuation and significant premium to the recent trading price of the Company's shares. The Transaction is also expected to provide Nanotech with greater access to capital to accelerate its commercialization and growth strategies. After careful consideration, the Special Committee and the Company's Board have both unanimously concluded that the Transaction is fair to Nanotech's securityholders and is in the best interests of the Company and its employees."

Transaction Details

The total cash consideration of \$1.25 per share (the "Consideration") represents a premium of 67% to the closing price of \$0.75 for Nanotech's shares on the TSX Venture Exchange on August 4, 2021 and a premium of 101% to the volume weighted average price of the 30 trading days ended August 4, 2021. The Transaction is to be carried out by way of a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (British Columbia), pursuant to which META will acquire all the outstanding common shares of Nanotech. The implementation of the Arrangement will be subject to, among other things, the approval of at least 66 2/3% of the votes cast by Nanotech securityholders present in person or represented by proxy at the special meeting of Nanotech securityholders, and the receipt of applicable orders from the Supreme Court of British Columbia. A management information circular relating to the special meeting of Nanotech securityholders and containing further details regarding the Arrangement will be mailed to Nanotech securityholders and made available on SEDAR under Nanotech's profile at www.sedar.com. Until the circular is sent, shareholders are not required to take any action in respect of the Transaction.

The Arrangement Agreement provides for, among other things, customary non-solicitation covenants from Nanotech, but includes provisions that allow Nanotech to accept a superior proposal in certain circumstances subject to a five-business day "right to match period" in favour of META. The Arrangement Agreement also provides for the payment of a termination fee of \$2.8 million by Nanotech in the event the Transaction is terminated in the event Nanotech proceeds with a superior proposal. The Transaction is not subject to a financing condition.

All directors and executive officers of Nanotech, holding approximately 19% of the issued and outstanding shares of Nanotech as of the date hereof, have entered into voting and support agreements in favour of META pursuant to which, among other things, they have agreed to vote their Nanotech securities in favour of the Transaction.

The Board recommends that securityholders vote in favour of the Transaction. Echelon Capital Markets, financial advisor to Nanotech, has provided a fairness opinion to the Board that, subject to certain qualifications set out in the opinion, the \$1.25 to be received by Nanotech securityholders pursuant to the Transaction is fair from a financial point of view to Nanotech's securityholders.

The foregoing summary is qualified in its entirety by the provisions of the Arrangement Agreement, a copy of which will be available on SEDAR under Nanotech's profile at www.sedar.com within 10 days following the date of this press release.

The Arrangement is expected to close in early October with the special meeting of securityholders expected to be convened for late September. An announcement about the exact timing of the securityholders' meeting will follow in the near future.

The Transaction was negotiated at arm's length and no finder's fee is or will be payable by Nanotech in connection with the Transaction.

Advisors

Echelon Capital Markets is acting as financial advisor to Nanotech. Borden Ladner Gervais LLP and Dorsey & Whitney LLP are acting as legal counsel to Nanotech.

Cormark Securities Inc. is acting as financial advisor to META and Hamilton Clark Sustainable Capital, Inc. provided a fairness opinion to the board of directors of META. Fasken Martineau DuMoulin LLP and Wilson Sonsini Goodrich & Rosati are acting as legal counsel to META.

Webcast Information

META's CEO George Palikaras and CFO Ken Rice will host a webcast today at 10:00 am EDT along with Nanotech's CEO Troy Bullock. To register, [click here](#) or copy this link into your browser: https://audience.mysequire.com/webinar-view?webinar_id=97702446-53e7-4f46-8a8b-2a4fd2ca1c04. A replay will be available following the webcast and may be accessed using the link above.

Financial Highlights for the Three and Nine Months Ended June 30, 2021

- Revenue was \$2.6 million and \$6.1 million for the three and nine months ended June 30, 2021 respectively, representing increases of 34% and 27% compared to the same periods last year.
- Gross margin of 76% for the three and nine months ended June 30, 2021 was lower than the 83% and 81% for the respective year-ago periods due to additional labour and other expenditures incurred to meet contract services deliverables in the current period.
- Positive Adjusted EBITDA of \$453,368 and breakeven Adjusted EBITDA for the three and nine months ended June 30, 2021 respectively, representing an improvement of 129% and 100% compared to the same periods last year.
- Cash and short-term investments of \$8.9 million, and no debt at quarter end.

"Nanotech had a strong third quarter of growth with revenues of \$2.6 million and positive Adjusted EBITDA of \$453,368. We received the maximum available purchase orders from our confidential central bank customer which, in combination with recurring LumaChrome orders, is expected to drive revenue growth of at least 15% for the year and modest positive Adjusted EBITDA," said President and CEO Troy Bullock. "We remain confident of Nanotech's prospects for advancing the development contract, further expansion of our manufacturing capabilities, and the potential opportunities beyond our two primary markets within the metamaterials sphere."

Strategic Update

The Company remains focused on commercializing its technology for long-term revenue growth, with efforts centered around the following pillars:

1. **Contract services** – The Company's development contract with a confidential G10 central bank remains a key strategic focus with significant resources committed to this project. Developing a visual security feature

that can be integrated into this country's banknotes would be a significant milestone in Nanotech's growth.

The Company is restricted from providing substantive information about this project, but management is encouraged by both the progress of this development contract and ongoing discussions with the customer. The Company secured all available purchase orders for fiscal 2021 with annual revenues expected to be approximately 27% higher than the prior year. This represents the largest annual scope of work for this customer to date and demonstrates the customer's continued confidence in Nanotech's technology. Discussions are also well under way for a second phase, multi-year development contract that management expects to finalize in the fourth quarter of fiscal 2021, along with purchase orders for fiscal 2022.

2. **Product development** – Based on the positive market feedback of Nanotech's latest nano-optic product offerings, management believes there are extensive opportunities to offer these new visual products with exceptional differentiation in both the banknote and brand protection markets. As a result, the Company plans to continue to increase its investment in additional development staff, product trials, and certifications to drive technology advancement and enhanced product development to generate future revenue.

In the second quarter of 2021 the Company launched its LiveOptik™ PROTECT security foil for the brand protection market. This new product continues to be tested by several channel partners for inclusion in their product catalogue. Management plans to have additional product launches before the end of the calendar year for both brand protection and banknote applications.

3. **Strategic partnerships** – Nanotech has developed strategic relationships with established OEM manufacturers to enable scalable delivery for our customers. These relationships reduce the Company's manufacturing risk and extend the market reach of Nanotech's product offering. Management is also developing the Company's internal production capability to complement these OEM offerings, which is being optimized for the Company's proprietary KolourOptik® technology platform. Nanotech is uniquely positioned as a leader in developing and mass-producing complex nanostructures, which could have applications beyond the Company's initial key markets in brand protection and banknote authentication.
4. **Expanded channels to market** – Nanotech will continue to market its products and pursue revenue through both direct sales and strategic channel partners who promote and offer Nanotech's products to their existing customers. Management expects to expand the Company's network of channel partners as new products are launched throughout fiscal 2021.

Product revenue decreased to \$289,381 for the three months ended June 30, 2021, compared to \$450,809 during the same period last year. Nanotech delivered ten customer product orders in the quarter, compared to three in the same period last year. On a year-to-date basis, product revenue of \$486,783 from nineteen orders was lower than product revenue of \$817,206 from fifteen orders in the same period of 2020. These variances were partially due to the timing of certain recurring orders, which can vary from year to year.

Select Financial Information

All results are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

	Three months ended June 30			Nine months ended June 30		
	2021	2020	% Change	2021	2020	% Change
Contract services	\$ 2,315,641	\$ 1,495,812	55%	\$ 5,628,372	\$ 3,983,857	41%
Products and services	289,381	450,808	(36%)	486,782	817,205	(40%)
Revenue	2,605,022	1,946,620	34%	6,115,154	4,801,062	27%
Gross margin	1,972,285	1,609,798	23%	4,637,864	3,907,021	19%
Gross margin %	76%	83%		76%	81%	
Adjusted EBITDA ⁽¹⁾	453,368	197,733	129%	1,730	(621,245)	(100%)
Net loss	(254,347)	(332,367)	(24%)	(1,722,483)	(2,088,190)	(18%)
Loss per share						
Basic and diluted	(0.00)	(0.00)		(0.02)	(0.03)	
Weighted average number of common shares						
Basic and diluted	69,399,861	69,200,125		69,399,861	69,200,125	

(1) Adjusted EBITDA is a non-IFRS measure as described in the Non-IFRS Financial Measures section of this News Release. The calculation of Adjusted EBITDA for the three and nine months ended June 30, 2020 was amended to exclude tenant and steam (income) expenses, which are no longer expected to be recurring in nature. For further information, see the Quarterly Results section of management's discussion and analysis for the three and nine months ended June 30, 2021.

Financial Position as at:	June 30, 2021	September 30, 2020	% Change
Cash, cash equivalents and short-term investments	\$ 8,937,055	\$ 8,601,140	4%
Total assets	\$ 26,647,173	\$ 27,982,579	(5%)
Total liabilities	2,724,360	2,624,128	4%
Total equity	23,922,813	25,358,451	(5%)

Financial Statements and Management's Discussion and Analysis

This news release should be read in conjunction with the Company's condensed interim financial statements and related notes, and management's discussion and analysis for the three and nine months ended June 30, 2021, copies of which can be found at www.sedar.com.

Non-IFRS Financial Measures

In addition to results reported in accordance with IFRS, the Company discloses Adjusted EBITDA as a supplemental indicator of its financial performance.

The Company defines Adjusted EBITDA as net income (loss) excluding the impact of interest and financing costs (net of interest income), foreign exchange gain (loss), income taxes, depreciation and amortization, share-based compensation, tenant income, steam (income) expense and transaction costs. The Company believes Adjusted EBITDA is a useful measure as it provides information to management about the operating and financial performance of the Company and its ability to generate operating cash flow to fund future working capital needs, as well as future growth. Adjusted EBITDA may also be used by investors and analysts for the purpose of valuing the Company.

Readers are cautioned that these non-IFRS definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to net earnings determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. The Company's method

of calculating these measures may differ from methods used by other entities and accordingly Nanotech's measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions. The Company uses these measures because it believes they provide useful information to both management and investors with respect to the operating and financial performance of the Company.

	Three months ended		Nine months ended	
	June 30		June 30	
	2021	2020	2021	2020
Net loss	\$ (254,347)	\$ (332,367)	\$ (1,722,483)	\$ (2,088,190)
Finance (income) expense	3,610	(18,854)	3,812	(80,460)
Foreign exchange (gain) loss	30,436	45,243	114,095	(24,216)
Depreciation and amortization	379,783	400,354	1,133,239	1,207,195
Transaction costs	197,351	-	197,351	-
Share-based compensation	107,664	103,357	286,845	346,457
Tenant income	(11,129)	-	(11,129)	(56,276)
Steam expense	-	-	-	74,245
Adjusted EBITDA	\$ 453,368	\$ 197,733	\$ 1,730	\$ (621,245)

Nanotech Security Corp.

Condensed Interim Statements of Operations and Comprehensive Loss
(Unaudited)

Three and nine months ended June 30, 2021 and 2020
(In Canadian dollars)

	Three months ended June 30		Nine months ended June 30	
	2021	2020	2021	2020
Revenue	\$ 2,605,022	\$ 1,946,620	\$ 6,115,154	\$ 4,801,062
Cost of sales	632,737	336,822	1,477,290	894,041
	1,972,285	1,609,798	4,637,864	3,907,021
Expenses				
Research and development	556,021	438,201	1,766,367	1,396,229
General and administration	543,317	556,619	1,671,881	1,753,989
Sales and marketing	542,503	532,018	1,515,870	1,769,761
Depreciation and amortization	364,523	388,938	1,102,100	1,161,939
Transaction costs	197,351	-	197,351	-
	2,203,715	1,915,776	6,253,569	6,081,918
Loss from operations before other (income) expenses	(231,430)	(305,978)	(1,615,705)	(2,174,897)
Other (income) expenses				
Foreign exchange (gain) loss	30,436	45,243	114,095	(24,216)
Finance (income) expense	3,610	(18,854)	3,812	(80,460)
Tenant income	(11,129)	-	(11,129)	(56,276)
Steam expense	-	-	-	74,245
	22,917	26,389	106,778	(86,707)
Net loss and total comprehensive loss	\$ (254,347)	\$ (332,367)	\$ (1,722,483)	\$ (2,088,190)
Basic and diluted loss per share:				
Net loss	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares				
Basic and diluted	69,399,861	69,200,125	69,399,861	69,200,125

Nanotech Security Corp.

Condensed Interim Statements of Financial Position
(Unaudited)

(In Canadian dollars)

	June 30, 2021	September 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,055,919	\$ 1,751,855
Short-term investments	6,881,136	6,849,285
Accounts receivable	737,966	1,505,391
Inventory	301,247	210,715
Prepaid expenses and other assets	225,399	324,974
Asset held for sale	125,000	-
	<u>10,326,667</u>	<u>10,642,220</u>
Property, plant and equipment	14,117,014	15,089,496
Intangible assets	93,750	-
Goodwill	1,388,458	1,388,458
Right-of-use asset	721,284	862,405
	<u>\$ 26,647,173</u>	<u>\$ 27,982,579</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,502,406	\$ 1,630,754
Deposits	36,401	56,069
Deferred revenue	375,516	-
Current portion of lease liability	183,706	173,558
	<u>2,098,029</u>	<u>1,860,381</u>
Non-current liabilities:		
Lease liability	626,331	763,747
	<u>2,724,360</u>	<u>2,624,128</u>
Shareholders' equity		
Share capital	62,499,841	62,499,841
Contributed surplus	3,695,498	3,408,653
Deficit	(42,272,526)	(40,550,043)
	<u>23,922,813</u>	<u>25,358,451</u>
	<u>\$ 26,647,173</u>	<u>\$ 27,982,579</u>

Nanotech Security Corp.

Condensed Interim Statements of Cash Flows
(Unaudited)

Three and nine months ended June 30, 2021 and 2020
(In Canadian dollars)

	Three months ended June 30		Nine months ended June 30	
	2021	2020	2021	2020
Cash flows provided by (used in):				
Operating activities:				
Net loss	\$ (254,347)	\$ (332,367)	\$ (1,722,483)	\$ (2,088,190)
Items not involving cash				
Depreciation and amortization	379,783	400,354	1,133,239	1,207,195
Share-based compensation	107,664	103,357	286,845	346,457
Unrealized foreign exchange gain (loss)	(4,218)	49,524	(35,277)	13,555
Finance (income) expense	3,610	(18,854)	3,812	(80,460)
Other	(2,409)	(3,132)	(7,772)	(9,233)
Non-cash working capital changes	742,290	(324,412)	1,178,299	(164,521)
Interest paid on lease liability	(9,395)	(11,278)	(29,668)	(34,000)
Interest received	7,998	34,862	57,952	120,720
Cash provided by (used in) operating activities	970,976	(101,946)	864,947	(688,477)
Investing activities:				
Purchase of property and equipment	(90,692)	(304,652)	(325,554)	(769,071)
Purchase of intangible asset	-	-	(85,000)	-
Net acquisition of short-term investments	(7,723)	(33,301)	(56,175)	(103,951)
Cash used in investing activities	(98,415)	(337,953)	(466,729)	(873,022)
Financing activities:				
Repayment of lease liability	(39,843)	(34,420)	(127,268)	(103,259)
Cash used in financing activities	(39,843)	(34,420)	(127,268)	(103,259)
Effect of foreign exchange on cash and cash equivalents	2,955	(61,734)	33,114	(17,886)
Increase (decrease) in cash and cash equivalents	835,673	(536,053)	304,064	(1,682,644)
Cash and cash equivalents, beginning of period	1,220,246	1,605,411	1,751,855	2,752,002
Cash and cash equivalents, end of period	\$ 2,055,919	\$ 1,069,358	\$ 2,055,919	\$ 1,069,358

FORWARD-LOOKING STATEMENTS

The discussion and analysis in this news release contains forward-looking statements concerning anticipated developments in the Transaction, the Company's operations in future periods, the adequacy of Nanotech's financial resources, and events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as "expects", "expected", "anticipates", "believes", "prospects", "efforts", "intends", "estimates", "predicts", "potential", "targeted", "plans", "possible" and similar expressions, or statements that events, conditions, or results "will", "may", "could" or "should" occur or be achieved. Such forward-looking statements concern the business and anticipated financial performance of the Company (including, without limitation, the Company's growth outlook) and the Transaction (including, without limitation, in respect of the Court approvals to be obtained in connection therewith, the approval of the Transaction by Company securityholders and the expected timing of closing of the Transaction).

These forward-looking statements include, without limitation, statements about the Company's revenue growth, prospects for advancing the development contract, expansion of manufacturing capabilities, development of a visual security feature, customer confidence, finalization of a second phase, multi-year development contract, investment in additional development staff, product trials and certifications, additional product launches, applications of nanostructures beyond the Company's initial key markets, expansion of the Company's network of channel partners and, in respect of the Transaction, the Company's ability to meet all condition precedents set forth in the Arrangement Agreement (including that there be no material adverse effect on the Company before closing of the Transaction) prior to the outside date set forth therein, the Company's ability to secure the required Court approvals in connection with the Transaction and the approval of the Transaction by Company securityholders.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation: risks related to the completion of the Transaction, including the failure to obtain securityholder or Court approvals in connection with the Transaction; uncertainties relating to the loss of a key customer, that the Company's products receive market acceptance, and that its intellectual property claims will be sufficiently broad or enforceable to provide the necessary protection or attract the necessary capital, as well as risks relating to the COVID-19 pandemic.

These forward-looking statements are based on the beliefs, expectations, and opinions of management on the date the statements are made. Consequently, all forward-looking statements made in the discussion and analysis of the financial conditions and results of operations, or the documents incorporated by reference, are qualified by this cautionary statement and there can be no certainty that actual results or developments the Company anticipates will be realized.

For additional information with respect to certain of these risks or factors reference should be made to the "Business Risks and Uncertainties" section of the management's discussion and analysis and the notes to the audited financial statements for the year ended September 30, 2020, as well as with the Company's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, which are available online at www.sedar.com. Nanotech disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law. Caution needs to be used when taking forward-looking statements into account when evaluating the Company.

About Nanotech

With billions of security features in circulation, Nanotech's products include secure and memorable security labels, stripes, patches, and colour-shifting foils for currency authentication and brand protection.

[KolourOptik®](#) is a patented visual technology that is exclusive to the government and banknote market and combines sub-wavelength nanostructures and microstructures to create modern overt security features with a unique and customizable optical effect. KolourOptik pure plasmonic colour pixels produce full colour, 3D depth, and movement used in security stripes and threads that are nearly impossible to replicate.

[LiveOptik™](#) is a patented visual technology that utilizes innovative nano-optics one tenth the size of traditional holographic structures to create next generation overt security features customized to our customers' unique requirements. LiveOptik delivers multi-colour, 3D depth, movement, and image switches for secure brand protection stripes, threads, and labels that are nearly impossible to replicate.



Additional information about Nanotech can be found at the Company's website www.nanosecurity.ca, the Canadian disclosure filings website www.sedar.com or the OTCMarkets disclosure filings website www.otcmarkets.com.

About Meta Materials Inc.

META® delivers previously unachievable performance, across a range of applications, by inventing, designing, developing, and manufacturing sustainable, highly functional materials. Its extensive technology platform enables leading global brands to deliver breakthrough products to their customers in consumer electronics, 5G communications, health and wellness, aerospace, automotive, and clean energy. Meta's achievements have been widely recognized, including being named a Global Cleantech 100 company. Learn more at www.metamaterial.com.

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